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C O N F I D E N T I A L SECTION 01 OF 03 PRAGUE 000666

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SUBJECT: CZECH REPUBLIC: PM TOPOLANEK SUFFERS MAJOR
POLITICAL DEFEAT IN REGIONAL AND SENATE ELECTIONS

REF: PRAGUE 653

Classified By: ACTING DCM JOHN LAW FOR REASONS 1.4 (B) AND (D).

11. (C) SUMMARY: Czech voters turned out in record numbers in the October 17-18 regional and senate elections to deal PM Topolanek and his coalition partners a stunning defeat. PM Topolanek's Civic Democratic Party (ODS) lost control over 12 out of the 13 regional governor's seats which were contested. The Christian Democrats (KDU-CSL), a coalition partner, lost the remaining governorship. Results in the first round of the senate elections, in which 27 of the 81 senate seats were being contested, were equally sweeping. The weekend's big winner, the Social Democrats (CSSD), will now seek to press their advantage in the upcoming vote of no-confidence on October 22 and the second round of senate elections on October 24-25. Whether PM Topolanek will remain in power after this major political setback will likely be determined not by the vote of no-confidence, but by his own party, which will be electing its leadership at the December 5-7 ODS party congress. In this weakened position, PM Topolanek and his coalition will find it even more challenging to push through major pieces of legislation, including the Missile Defense (MD) agreements. END SUMMARY.

ELECTION RESULTS

12. (SBU) In the October 17-18 regional elections and the first round of senate elections, the opposition CSSD clearly dominated. Voters angered by the government's reform agenda responded to the CSSD's effort to transform these elections into a referendum on PM Topolanek's government. CSSD's mobilization-styled campaign was so successful that the voters looked past the individual candidates, as was the case in previous regional and senate elections, and instead voted along party lines. The 40 percent voter turnout was a record and exceeded by 10 percent the voter turnout of the 2004 elections. The higher than expected turnout benefited primarily CSSD, whose voters usually stay away from the polls, unlike the more loyal ODS voters, or those of the Communist party (KSCM). As a result, CSSD candidates won convincingly in all 13 regional contests and will now be charged with negotiating regional coalition governments.

13. (SBU) In the 27 senate contests, CSSD candidates placed first in 20 districts, and one CSSD candidate won his race outright with over 50 percent of the vote. CSSD will now seek to capitalize on this strong showing in the second round of the senate elections on October 24-25. Although CSSD is clearly ascendant, the results of the second round are difficult to predict. It would not be surprising if supporters of the candidates knocked out in the first round decided to throw their support behind the ODS candidates in the second round to balance CSSD's rise. Although the

political blow dealt to ODS has naturally been the focus in media reports and analyses, it should be noted that the other two coalition parties, the Greens and KDU-CSL, fared similarly poorly, as did the KSCM.

CIVIC DEMOCRATS' "WORST NIGHTMARE"

¶4. (SBU) ODS leaders were expecting losses in the October 17-18 regional and senate elections, realizing that they would not be able to repeat their 2004 victory, in which they gained control of all but one of the governor seats. They spent the past several weeks downplaying expectations, but even they were not prepared for the complete CSSD sweep of the elections. ODS' first deputy chairman and mayor of Prague, Pavel Bem, stated after the elections that "even in his worst nightmares" he did not imagine such an electoral debacle, which he termed an "Armageddon." PM Topolánek, who will undoubtedly get most of the blame for the defeat, stated that "no party which is in power won (regional) elections" and that the loss was the price of governing.

¶5. (C) While these observations are true in the Czech political context, this first major electoral defeat for PM Topolánek raises serious doubts about his future. PM Topolánek's position was never completely secure due to ongoing squabbles within his coalition government. Even more problematic for Topolánek, however, was his position within his own ODS. Some in the Prague-centric ODS never quite reconciled themselves with the fact that they were led by a politician from Northern Moravia. The persistent tension

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between Topolánek and President Vaclav Klaus, ODS founder and honorary chairman, also narrowed Topolánek's room for maneuver, as did his recurring skirmishes with former Finance Minister Vlastimil Tlustý and his supporters. Repeated electoral victories helped Topolánek balance the various forces and wings within ODS. Now, in addition to the problems enumerated above, Topolánek will face 12 angry and powerful ex-governors, who will undoubtedly blame him and his policies for their defeat in the regional elections.

DOMESTIC POLITICAL FALL-OUT

¶6. (C) CSSD chairman Jiri Paroubek was also surprised by the extent of his party's success, especially in the wake of the still-unfolding political scandal, in which one Paroubek associate with suspected ties to the underworld murdered another at a recent book-signing for Paroubek's new book. But Paroubek recovered quickly from his surprise and wasted no time in renewing his calls for PM Topolánek's resignation. Paroubek will have his first chance to test whether he will be able to translate his calls into reality on October 22, when the parliament's lower house considers a no-confidence motion introduced by CSSD. This is a fourth such attempt by Paroubek to bring down PM Topolánek's government. To date, the opposition has been unsuccessful, but in the current extremely charged political atmosphere, CSSD is hoping that it will be able to peel off a few coalition deputies and/or bring back into its fold the four former CSSD deputies who are supporting the Topolánek government.

¶7. (C) Even if the no-confidence motion fails, the vote and the debate that will precede it will only add to the pressure on the Topolánek government, a net positive in Paroubek's political calculus. Such a debate, conveniently timed before the second round of senate elections, will again focus national attention on the government's problems. Paroubek has publicly stated that his ideal scenario would see Topolánek's government replaced by a caretaker government and then early parliamentary elections, which would be held concurrently with next summer's elections into the European

Parliament. Given that early elections are very difficult to achieve in the Czech political system -- essentially it would require that ODS agree with CSSD that early elections are desirable -- such a scenario is not very likely at this stage.

¶18. (C) Following the no-confidence vote on Wednesday, all eyes will turn to the second round of the senate elections, where ODS will seek to stop CSSD's momentum and preserve its dominance of the senate. Note: ODS currently controls 41 out of 81 senate seats. End Note. Regardless of the results next weekend, however, it is now more than likely that PM Topolánek will be challenged at the upcoming December 5-7 ODS party congress for the position of party chairman. Even before the regional elections, Prague mayor Bém, Topolánek's great rival within the party, was traveling around the regions to gauge the level of support for his possible candidacy. Now, he may find more receptive ears among the ODS ex-governors, who have significant influence over their regional party organizations and will play a major role in deciding who will lead ODS. Equally important will be President Klaus, who continues to have significant influence over the party he founded and who is believed to favor Bém. While other candidates for the chair's post could emerge if neither Topolánek nor Bém manage to garner sufficient support, the focus will remain on these two politicians in the coming weeks. Although Topolánek could in theory continue in his position as premier even if he were to lose the ODS chairmanship, such a possibility is unlikely. Bém, or any other potential challenger, would want to grab the spotlight that the upcoming Czech EU Presidency will accord to the prime minister.

¶19. (C) On the regional level, the victorious CSSD candidates will now begin negotiating coalition governments. Despite Paroubek's perfunctory declarations that it will be up to the regional CSSD organizations to negotiate these coalition agreements, in his mind, it is clear that CSSD should not be looking to ODS as coalition partners. On October 19, Paroubek stated that CSSD would give preference to "programmatic coalitions" of the center-left kind, signaling that CSSD would be looking to KSCM for support. What form this support ultimately takes shape - coalitions or minority CSSD governments supported by KSCM - remains to be seen, but this direction represents a significant departure for CSSD, which until now remained opposed to cooperating with KSCM at the regional and national level.

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IMPACT ON KEY FOREIGN POLICY PRIORITIES

¶10. (C) Paroubek, boosted by the election results, has already put the government on notice that he will not be helpful on matters like foreign deployments and the EU presidency. On October 19, during the country's premier political talk show, Paroubek stated that his party was unlikely to change its negative stance on foreign deployments (ref A), even after he holds talks with Defense Minister Vlasta Parkanová and flies to Brussels for November 5 meetings with NATO Secretary General and other officials. Similarly, he has ruled out a political cease-fire with the government in advance of and during the Czech EU Presidency.

¶11. (C) Although Paroubek has not yet said anything publicly about MD, his hard line on MD is also unlikely to change. In this regard, PM Topolánek miscalculated when he thought that the post-election political atmosphere would be calmer and therefore more conducive to pushing the MD agreements through the parliament. He must now decide whether the time is right for going forward with ratifying the two MD agreements and the resolution on stationing U.S. troops on Czech territory. The first reading of the two agreements is already on the agenda of the next parliamentary session, which will begin on October 21. Note: It is unclear on which day the lower

chamber will take up the two MD agreements, which are numbers 97 and 98 on the agenda. End Note. According to a well-informed MFA official, PM Topolanek planned to introduce personally both agreements in the parliament. After the political set-back of this past weekend, it would be unsurprising if PM Topolanek decided to focus on nothing but the internal ODS campaign and saving his job as chairman and prime minister. Equally likely, however, is the scenario, where Topolanek tries to salvage his political reputation -- and possibly his job -- by a few hard-fought victories in the parliament, with MD among them. The next couple of weeks should tell which path he will take.

COMMENT

¶12. (C) PM Topolanek, his coalition partners, and even the opposition were stunned by CSSD's sweeping victory in the regional elections. The coming weeks will be decisive for PM Topolanek: he has to shore up his position within the ODS, while at the same time keeping on track his government's key priorities, among them MD and foreign deployments, as well as preparations for the Czech EU Presidency. However, it is unlikely that PM Topolanek can fully recover from this defeat. Even if he manages to defend his position at the December ODS Congress, he will remain hobbled. Similarly, his coalition, which has teetered on the verge of collapse for the past two years will be further weakened, as Topolanek's two coalition partners begin to position themselves for the 2010 parliamentary elections and the post-election coalition negotiations. Working to undermine Topolanek every step of the way will be a resurgent Paroubek, who will undoubtedly consider last weekend's election results as a confirmation not only of his negative campaigning, but also of his "anti-everything" approach in the Czech parliament.
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